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A concise reference guide for Kentucky school administrators and purchasing officials regarding desirable purchasing practices. The size of the school system will determine the manner in which the purchasing program should be implemented. Although methods may vary, the principles of good management are applicable to both large and small school districts. Among the items discussed are the legal aspects of purchasing, educational supplies and equipment including basic needs and standards of quality, maintenance and repair materials, food service, insurance and bonds, warehousing and storage distribution, and school bus transportation. A glossary of legal purchasing terms is included. (NI)

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PURCHASING MANUAL

prepared by

bureau of administration and finance

kentucky department of education

in cooperation with

kentucky school business officials association

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

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foreword

The Kentucky school district purchasing manual was produced by The Kentucky Department of Education in cooperation with Kentucky School Business Officials Association. The purpose of the manual is to provide a concise reference guide to school administrators and purchasing officials regarding desirable purchasing practices.

Users of the manual should keep in mind that the size of the school system will determine the manner in which the purchasing program should be implemented. Certainly, the difference in size of Kentucky school districts, of necessity, influenced the content of this publication.

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The committee sincerely hopes that you will use this publication as a springboard in developing an improved purchasing program for your school district.

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general administration

Purchasing in Kentucky school districts represents the expenditure of a large portion of the budget. Although methods may vary, the principles of good management are applicable, whether purchasing for large multi-school or single school districts.

PROCUREMENT FUNCTIONS

The purchasing function encompasses the entire supply transaction, beginning with the initiation of a requisition and ending with the approval of the invoice for payment. Some control factors which precede the purchasing functions are:

1. Budget allocations
2. Establishment of standard list
3. Ordering schedule
4. Obtaining necessary approvals

The purchasing transaction is completed when the items requisitioned have been received in good condition and the supplier paid the proper amount.

The basic functions of procurement are:

1. Requisitioning
2. Specifications preparation
3. Bidding

1. Requisitioning

It is recommended that a written request be initiated in accordance with established procedures by the teacher, principal, custodian, or others who may require purchase of materials or contractual services. Such information as is needed to properly identify the items being requested should be included and provisions should be made for approval of the requisition. (See appendix for sample requisition.)

Once approved, the requisition is processed for purchasing through one of four methods:

a. Telephone quotations
b. Written quotations
c. Formal bids
d. Negotiated bids

Upon board approval, a purchase order or contract may be issued. If possible, the requisitioner should be provided a copy of the purchase order to verify the items being purchased, the terms, the conditions of purchase, and expected delivery date.

2. Specifications Preparation

The Association of School Business Officials of the United States and Canada describes a specification as, "A description of the goods or service to be purchased in terms of the minimum acceptable physical

characteristics, as well as the terms and conditions relating to delivery and performance."

Writing good specifications is an exacting assignment. They may be written by the school administrator, architect, or supplier. A poor specification, one which is worded in broad and general terms, usually attracts quotations from a large number of suppliers and is likely to invite marginal or unreliable bidders. Good specifications go a long way in eliminating this problem and, when enforced, protect the school district.

Many times school suppliers are asked to help in the preparation of specifications. In such instances, care should be taken to see that other companies are not eliminated from bidding.

There are three types of specifications commonly used. They are:

a. Brand name with number
b. The general description or performance desired- e.g.; volume of air displacement, temperature range, and others
c. The complete description

a. Brand Name with Number

Brand name with number should be used only if there is a qualifying statement; such as, "or equal," or "for specification purposes only." Brands that are used as specifications should be well known among all suppliers. Catalogs should be available which list the specified items with number and general description. The bid form should provide a space for a bidder to write in the particular brand and the number he is bidding if quoting other than the one listed on the specification. An advantage of this type of specification is that it requires a minimum of time to prepare. Suppliers are usually brand conscious; therefore, it is easy for them to determine exactly the quality and type of material being bid.

On the negative side, such specification may be challenged on the basis that bids have to be evaluated subjectively. Another criticism might be that the brands listed are those favored by the school district.

When the school district has predetermined the quality desired, only qualified items should be considered. In doubtful situations, a detailed description should be requested. It should also be stipulated that any item not meeting all aspects of the specification should be fully described and the item identified as an alternate bid.

b. The General Description

This specification involves the use of brand names and numbers in a general manner which is intended to indicate the quality desired. This approach has considerable merit because it indicates the degree of workmanship and a brief description to indicate size, color, material, etc. If certain general descriptions are listed on the specifications, they should be included in the brand specified.

c. The Complete Description

The complete description specification should be used when large quantities or exact requirements have significance. Such specification requires considerable research and knowledge on the part of the writer to ensure that needed characteristics or qualities have been included. When a formal bid is required, a complete and detailed specification should be prepared.

3. Bidding

The third step in the procurement function concerns receiving bids. The Kentucky Revised Statutes and court decisions direct school districts to follow certain procedures in the purchase of school materials and services. It is, therefore, important that school boards adopt businesslike methods and practices that conform to these legal requirements. This would include securing sealed bids for materials and services to be purchased. Efforts should be made to ensure that several bids are obtained in order that competition may be encouraged and better prices secured.

a. When Should You Bid

The school official responsible for purchasing, in cooperation with various users in the school district and in compliance with state and local law, should periodically determine items to be purchased. By combining quantities savings can be realized for the school district through an effective bid program.

Where storage facilities or other circumstances make it impractical to receive the total quantity at one delivery, the conditions in the bid may specify staggered deliveries throughout the school year.

Methods of securing price information are as follows:

(1) Telephone or verbal quotations. This is least desirable and should be used only in rare situations when goods and services are urgently needed. At least two quotations are recommended, and written confirmation of the quotations should be obtained.

(2) Written Quotations. These are frequently used to secure prices on a small quantity purchase and items of limited competition. At least two quotations are recommended and they should be kept on file.

Note: Items 1 and 2 would not qualify as methods of securing prices where formal sealed bids are required by law.

(3) Formal Sealed Bids. This method is the most commonly used in Kentucky school districts. Sealed bids should provide for:

(a) Complete specifications and terms of conditions;

(b) Prompt return, normally within two weeks;

(c) At least three prospective bidders;

(d) Advertisement of the bids in accordance with KRS 424.130(b); and

(e) Provision for public opening at a designated date, time, and place.

(4) Negotiated Prices. While not frequently used in the procurement of supplies and materials for school systems, they may be utilized to obtain service contracts in which the full extent of work or the materials required is unknown, and the specifications cannot be predetermined.

b. General Bid Conditions

The general stipulations which govern bid procedures should be clearly defined. A formal proposal or invitation to bid should include:

(1) General conditions and requirements
(2) The basic specifications
(3) Bid form

It is important to state conditions under which the school district will receive bids. The general condition should consider any or all of the following:

(1) Name and quantity of the items being bid

(2) Date, time, and place bids are to be received and opened
(3) Directions as to where bid invitations and bid forms may be obtained
(4) Requirements for bid security and/or bid bonds
(5) Instructions for signing of the bid form
(6) Tax exemption statement, if applicable
(7) The basis for acceptance of alternate bids
(8) Delivery instructions to include f.o.b. point, drayage, packaging, and shipping charges
(9) Trade-in items, if applicable
(10) Instructions on how to fill out the bid form
(11) Requirements as to samples
(12) Instructions regarding the purchase of foreign made items
(13) How contracts are to be awarded
(14) Pricing instructions; such as, unit price, "all or none basis," or by groups
(15) Length of time bid price is to remain firm
(16) (Or equal) clause
(17) Statement that the school board has a right to accept or reject any and/or all proposals

c. Contracts and Purchase Orders

The school district should provide the vendor with a written contract or purchase order form on which all aspects pertaining to the purchases of those items are properly covered. The award should be made to the lowest responsible bidder meeting all specifications; and in cases where formal bids have been received, official action by the board should precede such award and preparation of the purchase order. The typed purchase order should show complete specifications for each item listed; or if this is too lengthy, a statement should be included to the effect that, "The materials and services furnished herewith will be in accordance with the specifications and conditions as listed on Bid No. ____." If all information is not shown on the purchase order, be sure that the requisitioner has a copy of the complete bid proposal, including specifications for checking receipt of material ordered.

(1) Follow-up Procedure. Contact with the vendor may need to be made to ensure expected delivery dates. Follow-up is especially important when late delivery of material may hinder the school program. An efficient follow-up procedure should include the assignment of responsibility to a designated individual, special purpose forms, a tickler filing system, and prompt advice of material receipt.

(2) Receiving Procedure. The requisitioner is responsible for the proper receipt of goods and services, if such material is designated for delivery to him. Immediately upon receipt, goods and services should be checked for condition, quality and quantity as stated on the contract or purchase order form. This function can be accomplished by having the packing list or invoice signed, or completion of a preprinted receiving ticket, either of which may be forwarded to the central office for substantiation of delivery. The supplier's invoice may then be processed for payment.

(3) Quality Control and Testing. The official having purchasing responsibility should check to make sure items purchased conform to the standard of quality desired. This can be done by:

(a) Comparative sample
(b) The use test
(c) Laboratory test and analysis

It is important to note at this point that the best specifications and bid procedures are meaningless unless deliveries are in full compliance with the specifications and/or purchase order. Deliveries, therefore, must be certified before payments can be made, and care should be exercised to ensure that the items received are those ordered.

(4) Check Points for Inspection and Quality Control. Some suggested guidepoints to be observed are:

(a) Check for accurate count
(b) Sampling and test if deemed necessary
(c) Check for breakage or shortage
(d) Compare items received against the specifications on the purchase order or the bid contract
(e) If laboratory test is warranted, arrange for it without delay and advise the parties concerned

(5) Payment Procedure. The final step in the procurement function is to pay the correct price for commodities purchased and received in accordance with the contract or purchase order. In all instances, cash discounts should be taken if possible.

The basic steps in the procurement function and the responsibility for action are listed below:

Requisitioning - initiated by the user, sent to the official charged with purchasing responsibility, and copy retained by the school

Specifications - prepared in detail setting forth minimum acceptable physical characteristics as well as terms and conditions relating to delivery and performance

Bids or quotations - received, checked, and tabulated by the central office and recommendations for formal award made to the board of education

Contract or purchase order - signed by the designated board official or superintendent

Follow-up - expediting done to ensure delivery on time

Receiving - the requisitioner signs receipt or delivery ticket and sends to the central office indicating quantity and quality of material received

Quality control and testing - the method of checking to see that items purchased comply with the specifications

Invoice or proof of payment - approved by the person requesting material or service and forwarded to the Treasurer for payment

FUNDAMENTAL CONCEPTS

It is mandatory that officials charged with purchasing responsibility conduct all aspects of procurement on the basis of sound business principles. Transactions should be fair and contribute toward good relations with staff, community, and suppliers. The purchasing function can assist the educational program in achieving goals through procurement of needed supplies, services, and equipment. In carrying out its responsibility, purchasing can achieve both efficiency and economy. The fundamental concepts of any procurement program should be based on the following:

1. Buy the quality standard for the purpose required
2. Have the product or service available at the time and place requested

3. Purchase on the most feasible and economical basis
4. Purchase from the lowest responsible bidder meeting the required specifications

ESTABLISH AUTHORITY

The school board should appoint or designate the person or persons to whom the procurement functions are delegated. The administration of the school purchasing function is often the responsibility of a school official who fulfills other roles for the school. In the smaller school districts the purchasing responsibility may be combined with other assignments, such as a business manager, assistant superintendent, or superintendent. Only in the larger systems is a specialist normally employed to handle purchasing functions. The superintendent, when staff permits, should designate an official to handle all purchasing transactions for his district through a centralized system. Centralization permits greater efficiency in the expenditure of funds, and allows for specialization of someone at the administrative level. In a small school district, where the purchasing function is handled by the superintendent, he may wish to counsel with larger neighboring districts to secure assistance. The basic fundamentals of procurement, however, are applicable whether the school district is large or small. Any person who is officially designated by the school board to contract for supplies, equipment, and services is a purchasing agent. He should be the coordinator of all procurement functions and should represent his school district in dealings with vendors.

SUGGESTED BOARD POLICIES

Procurement of supplies and services is one of the major business responsibilities of the school board. The mechanical functions of procurement may be delegated; however, under law, the board has the sole authority and responsibility for all purchase contracts of the district.

Some suggested policies to be established by the board of education are as follows:

a. The duties of purchasing should be centralized under a designated individual and he signs for all obligations of the district.

b. The official charged with purchasing should be familiar with and perform all activities within the limitations prescribed by law, legal opinions, and in accordance with board policies.

c. Every transaction between a buyer and a seller involving the transfer of property should be maintained on a contract or purchase order form with adequate supporting records.

d. Approvals of purchase orders should be recorded in the minutes of the board, as well as bid tabulations, awards, and contracts.

PURCHASING OFFICIAL - JOB DESCRIPTION

(For larger school systems with a purchasing department)

The job description should define duties and provide procedures. It may be a detailed listing or an outline of the major functions required. A typical job description for a school district purchasing official might read as follows:

A. Title: Director of Purchases, Coordinator of Purchases, or Supervisor of Purchases.

B. Primary functions:

1. Coordinates all phases of centralized purchasing as established by board policy and at the direction of the superintendent.

2. Assumes responsibility for the integrity, efficiency and productivity of the personnel of the purchasing department.

3. Purchases all goods, services, and equipment used in the school district on the receipt of properly approved requisitions on which a purchase order is based.

4. Develops and establishes specifications and bid documents that are descriptive of materials desired and sufficiently broad to promote competitive bidding, and consults with various staff personnel in the preparation of bids and the procurement of equipment, supplies, and services.

5. Publishes legal notices and advertises for sealed bids in local newspapers as prescribed by law and school board regulations.

6. Attracts and maintains responsible bidders who are

able to offer the best prices consistent with quality and service.

7. Negotiates contracts for the procurement of goods and services.

8. Interviews all vendors proposing to sell goods or products to the school district and maintains close contact by correspondence, telephone, and plant visits with the suppliers.

9. Maintains adequate records, files on sources of supplies, open and closed purchase orders, product information, and price information.

10. Assists in the preparation of budgets by furnishing descriptions and estimated costs on goods and services to the various departments.

11. Conducts such tests and analyses as may be necessary to assure compliance with specifications to protect the school district from fraud and deceit.

12. Conducts such research as is feasible and possible to effect better quality products and services at lower procurement cost.

13. Assists Parent Teachers' Association and other school groups in the selection and purchase of items for their particular schools, providing proper approval for such purchases has been received.

14. Is responsible for follow-up and expediting activities to insure delivery as required.

15. Arranges routing and tracing of inbound shipments, handles claims and adjustments on damaged material, overshipment and shortages, and is accountable for the audit of all invoices to assure that materials are received and paid for as ordered.

16. Conducts the sale or trade-in of equipment declared obsolete or surplus.

17. Renders tax exemption certificates on all goods or services where the school district is exempt from the payment of state and federal taxes.

18. Screens sales personnel who wish to call on the various schools and departments.

19. Tabulates bids and prepares recommendations for presentation at the board meetings.

Even though a school district is not large enough to justify this staff position, the basic functions are common to all districts.

ETHICS

Those engaged in the expenditure of school board funds reflect their own reputation as well as the school district's method of doing business. The official having purchasing responsibility should have a reputation that is above reproach. A suggested code of ethics developed by the Association of School Business Officials of United States and Canada reads as follows:

"My action at all times will be:

1. best for the pupil;
2. fair to all concerned;
3. designed to build good will and better understandings;
4. based on respect for the past, knowledge of the present, and concern for the future;
5. legally and morally right;
6. loyal to my associates, to my school district, to my state or province, county, and to my conscience;
7. the best that I can perform."

Purchasing ethics adopted by the "National Association of Purchasing Agents" read as follows:

1. To consider, first, the interest of his company (school board) in all transactions and to carry out and believe in its established policies;

2. To be receptive to competent counsel from his colleagues and to be guided by such counsel without impairing the dignity and responsibility of his office;

3. To buy without prejudice;

4. To strive consistently for knowledge of the materials and processes of manufacture, and to establish practical methods for the conduct of his office;

5. To subscribe to and work for honesty and truth in buying

and selling, and to denounce all forms and manifestations of commercial bribery;

6. To accord a prompt and courteous reception, so far as conditions will permit, to all who call on a legitimate business mission;

7. To respect his obligations and to require that obligations to him and his company be respected and consistent with good business ethics:

8. To avoid sharp practice;

9. To counsel and assist fellow purchasing agents in the performance of their duties whenever occasion permits;

10. To cooperate with all organizations and individuals engaged in activities designed to enhance the development and standing of purchasing.

legal aspects of purchasing

Purchasing and the law are closely interwoven. Every purchase is a "contract", and there are certain legal aspects involved in each transaction.

PURCHASE CONTRACT

A contract is a binding agreement between two or more parties to evince items and conditions. The essentials of a valid contract are:

1. Competent parties
2. Legal subject matter
3. Offer and acceptance
4. Consideration

Of the four requirements of a valid contract, purchasing officials are most frequently concerned with offer and acceptance. Knowledge of the rules applicable to these two essentials is very important in determining whether there is an obligation to buy or sell. Also, they have a direct bearing on the question of terms and conditions by which the buyer is bound.

Courts will generally not require enforcement of a contract if it is:

1. Contrary to law
2. Contrary to public policy
3. Based upon fraud
4. Requires an illegal act

WARRANTIES AND GUARANTEES

No phase of commercial law is more important to those engaged in purchasing than that having to do with legal warranties. History records many conflicts between the buyer and the seller about the quality of goods sold. It is only in recent years that the law has given the buyer any significant measure of protection. For centuries the rule was "caveat emptor" (let the buyer beware).

Sellers have a right to limit the warranties which they offer under contracts. On the other hand, the law gives the buyer protection against unscrupulous practices of misleading advertising and warranties. School purchasing personnel should make sure they are dealing with reliable vendors and that they understand the terms and conditions related to each purchase. For example, goods which have been examined by a representative of the buying agent are not warranted with respect to the defects which could be ascertained through actual examination. It is important, therefore, to ensure that inspection of goods made prior to purchase is done by qualified persons.

LEGAL BASIS FOR PURCHASING PROGRAM

School districts in this state are governed by laws and regulations

regarding the legal limits of purchases. In addition, most local school boards have adopted rules and procedures which regulate procurement practices. These vary considerably with purchasing policies adapted to the size of the district and the amount of purchasing dollars spent.

LEGAL COUNSEL

Many times, it will be necessary to consult legal counsel on purchasing matters. Some areas where consultation may be required are:

1. Approval of contract documents and bid specifications
2. Advice in connection with the acceptance or rejection of bids
3. Decisions as to when informalities on bids may be waived
4. Recommendations covering a bid
5. Bid security, certified checks, performance bonds, and bid bonds
6. Purchase and use of foreign-made products
7. Withdrawal of bid
8. Failure of bidder to sign bid
9. Split bid, multi awards, use of sub-contractors, "all or none" basis for award
10. Failure to perform
11. Settlement of claims involving damage of goods
12. Arbitration of differences between buyer and seller

TAX EXEMPTIONS

A. Federal Excise Tax

All school districts in Kentucky, as governmental subdivisions, are exempt from payment of federal excise taxes. A tax exemption certificate should be prepared by the school district purchasing official and submitted to suppliers to cover this exemption. Some commonly used items which are subject to excise tax are listed on the following page.

1. Automobiles and Buses
2. Automotive Parts
3. Tires
4. Appliances
5. Fire Arms and Shells
6. Sporting Goods
7. Luggage
8. Audio Visual Equipment
9. Office Equipment
10. Phonograph Records
11. Electrical Signs
12. Optical Equipment
13. Electric Lamps
14. Camera Equipment
15. Gasoline
16. Lubricating Oils
17. Musical Instruments
18. Lawn Mowers

B. State Sales and Use Tax

School districts are also exempt from Kentucky sales and use tax, and the vendor should be so advised. The sales tax Purchase Exemption Number can be listed on the purchase order form or a separate individual exemption certificate can be presented annually to the supplier. Care should be taken to ensure that other organizations which operate within the school district do not use this tax exemption for purchases.

STATUTORY REQUIREMENTS FOR SCHOOL P CHASING

Specific Kentucky statutes which govern dollar volume requiring bids, advertising laws, legal notices, and related procurement action are listed in summary form as follows:

> KRS 162.070 - "The contracts for the erection of new school buildings and additions and repairs to old buildings, except repairs not exceeding one thousand dollars, shall be made by the board of education to the lowest and best responsible bidder complying with the terms of the letting, after advertisement for competitive bids pursuant to KRS Ch. 424, but the board may reject any or all bids. All necessary specifications and drawings shall be prepared for all such work. The board shall advertise for bids on all supplies and equipment that it desires to purchase, except where the amount of the purchase does not exceed one thousand dollars, and shall accept the bid of the lowest and best bidder, but the board may reject any and all bids. In independent school districts of cities of the first class and in county school districts of counties containing a city of the first class, no advertisement for bids for repairs shall be necessary unless the amount involved exceeds two thousand dollars, and no advertisement for bids for supplies and equipment shall be necessary unless the amount involved exceeds one thousand dollars."

Provisions relating to advertising are included in the following statutes:

KRS 424.110 - Legal Notices (Advertising of Bids)

(1) "Publication area" means the city, county, district or other local area for which an advertisement is required by law to be made. An advertisement shall be deemed to be for a particular city, county, district or other local area if it concerns an official activity of such city, county, district or other area or of any governing body, board, commission, officer, agency or court thereof, or if the matter of which advertisement is made concerns particularly the people of such city, county, district or other area."

(2) "Advertisement - means any matter required by law to be published."

KRS 424.120 - Qualification of Newspaper

(1) "Except as provided in sub-section (2) whenever an advertisement or a publication area is required by law to be published in a newspaper, the publication must be made in a newspaper that meets the following requirements:

(a) It must be published in the publication area. A newspaper shall be deemed to be published in the area if it maintains a known office in the area for the purpose of gathering news and soliciting advertisements and other general business of newspaper publications. A newspaper printed out of Kentucky shall not be eligible to publish advertisements for any county or publication area within the county that has substantial general circulation throughout the county and that otherwise meets the requirements of this section.

(b) It must be of regular issue and have the largest bona-fide circulation in the publication area. A newspaper shall be deemed to be of regular issue if it is published regularly as frequently as once a week for at least 50 weeks during the calendar year as prescribed by its mailing permit and has been so published in the area for the immediate preceding one-year period. A newspaper shall be deemed to be a bona-fide circulation in the publication area if it is circulated generally in the area and maintains a

definite price or consideration of not less than 50% of those to whom distribution is made.

(c) It must bear a title and/or name consisting of not less than four pages without a cover and be of a type to which the general public resorts for passing events of a political, religious, commercial, or social nature, and for current happenings, announcements, miscellaneous reading matter, advertisements, and other notices."

(2) "If, in the case of a publication area smaller than the county in which it is located, there is no newspaper published in the area, the publication shall be made in a newspaper published in the county that is qualified under this section to publish advertisements for the county. If, in any county there is no newspaper meeting the requirements of this section for publishing advertisements for such county, any advertisements required to be published for such county or for any publication area within the county shall be published in a newspaper of the largest bona fide circulation in that county, published in and qualified to publish advertisements for an adjoining county in Kentucky. This subsection is intended to supersede any statute that provides or contemplates that newspaper publication may be dispensed with if there is no newspaper printed or published or of general circulation in the particular publication area.

(3) "If a publication area consists of a district other than a city which extends into more than one county, the part of the district in each county shall be considered to be a separate publication area for the purpose of this section; and an advertisement for each such separate publication area shall be published in a newspaper qualified under this section to publish advertisements for such an area."

KRS 424.130 - Times and periods of publication.

(b) "When an advertisement is for the purpose of informing the public or the members of any class of persons that on or before a certain day they may or shall file a petition or exceptions or a remonstrance or protest or objection, or resist the granting of an application or petition, or present or file a claim, or submit a bid, the advertisement shall be

published at least once but may be published two or more times, provided that one publication occurs not less than seven days nor more than twenty-one days before the occurrence of the act or event."

KRS 424.250 - Publishing of School District Budget

This statute covers the legal requirement relating to the district's school budget being advertised in the local newspaper. Reference should be made to the specific statute concerning details for each school district.

KRS 424.260 - Bids for Materials, Supplies, Equipment, and Services

This law concerns school purchasing more than any other law. It provides for the advertisement of bids for materials, supplies, equipment, or for contractual services other than professional, involving expenditures of more than $1,000 for materials, supplies and equipment, and $2,000 for contractual services dependent upon size of district. The exception to this is where an emergency exists. In this situation the chief executive officer must certify that an emergency exists by filing such certification with a chief financial officer of the city, county, or district. This statute should be reviewed by each school district concerning the size, amount, and expenditures which require bids.

LEGALITY OF SPLIT PURCHASING

The term split purchasing has several interpretations. In this Handbook two prime usages of the term are as follows: First, the division of quantities to avoid competitive bids; and, second, the awarding of tie, or identical bids.

1. Purchasing the same commodities several times during the school year without a bid, rather than combining these requirements and receiving a sealed bid, is a direct violation of KRS 424.260, (Floyd County Board of Education vs Hall, Kentucky, 353 S. W. 2D-194 192.)

2. The second application may be defined in terms of awarding contracts to more than one bidder on goods and services when identical bids have been received, i.e., the same unit price or total price, all other conditions checked being equal, such as terms, discount, delivery, f.o.b. point, and/or date of delivery. In these instances, the school board should have a

policy to govern awarding of such contract. Factors that might be considered in selecting one supplier over another in cases of identical bids are: past performance of the suppliers involved, awarding business on a geographical basis, or special services provided.

educational supplies and equipment

One of the primary concerns of any school procurement program is the purchase of educational supplies and equipment. Consideration should be given to the following criteria:

1. Basic Needs

These would be dependent upon the size of the school system, the curriculum, the type of school district, such as industrial, agricultural, etc., funds available or budget structure, as well as local and state laws.

2. Standards of Quality

Quality standards would include such things as the purpose of material or item to be used, the user, class and/or subject matter for which the material is being purchased. The design of construction, workmanship, materials, and safety should also be considered. In fact, safe equipment and the toxicity of various materials should be the major consideration in the purchase of primary school items. (Non-toxic products should be specified.) Thought should be given to simplicity of lubricating, replacing parts, and minor repair for equipment.

CONTRIBUTING PERSONNEL

"The establishing of required quality standards is best accomplished when the persons involved are contributors in a democratic manner. Before a standard is adopted, it should be carefully reviewed from the various aspects and all opinions should be given consideration. Personnel that may be consulted are discussed below.

A. Teachers, Principals, and Supervisors

Need for equipment or supplies normally arises within the classroom with items being requested by teachers, principals, and supervisors. Materials which may possibly meet the needs are obtained and examined. Those obviously unsatisfactory should be rejected and the remaining material field tested in a representative fashion. Results should be written, detailing the advantages and disadvantages of each item.

B. Superintendent's Office

The instructional supervisor next meets with the superintendent or delegated assistant to discuss the results. Other personnel of the school district office who were not previously consulted in obtaining the test materials may be brought into the decision making procedures. The products and particular qualities of each are again evaluated in view of the overall objectives of the instructional program. Basic quality standards are then adopted.

C. Purchasing Personnel

Purchasing personnel, in order to give proper assistance and guidance to the educational staff, must be cognizant of the educational objectives and trends in the various educational fields. As new products are offered by manufacturers or presented by their agents, alert purchasing personnel can recognize the potential value and forward the information or samples to the educational area in which the products might be used. Qualified purchasing personnel should always be able to suggest and assist educational personnel in obtaining information and samples, models, or materials to meet needs that arise."[1]

METHODS OF ORDERING

Basically, the method of ordering educational supplies will be

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[1] Purchasing and Supply Management Manual for School Business Officials, H. Spilman Burns, Bulletin #22, Association of School Business Officials of the United States and Canada, pp 19 and 20.

dependent upon the size of the school system, the distribution area that must be covered, the volume of need in the particular school systems, and the degree of organization for purchasing.

A. Requisition

Items may be requisitioned from a warehouse where standard items are stocked, such as paper towels, art materials, fine papers, printed forms, paste, duplicating fluid, carbon paper, toilet tissue, and cleaning materials. For nonstandard items, a requisition may be initiated to order from a vendor those items that are not purchased frequently enough to warrant warehousing. Some school districts have no warehousing and would require a requisition for all materials needed.

B. Standard List

This is highly desirable for use in all school systems. These lists permit greater standardization of materials and reduce the number of man hours expended for preparing orders. It also makes for fewer purchases, reduces and restricts indiscriminate ordering from various school personnel, and facilitates all phases of scheduling, warehousing, tabulating, purchasing of materials, including the delivery and distribution process. It has been proven that the advantages of using a standardized list far out-weighs any disadvantages. Briefly, standardized list ordering is very similar to a manufacturer's or distributor's catalog. Items are listed with a short description, the order unit, and usually the unit price. Ordering from such a list requires a purchase order be initiated.

SCHEDULING AND DELIVERY OF SUPPLIES

If materials are to be available when needed, it is important that effective scheduling be established. Time is required for the various purchasing steps; such as processing the requisition, soliciting prices or bids, the actual placement of the order, and the scheduling of delivery. Items should be categorized and schedules should be established in order that bids can be taken throughout the school year. Basic materials such as art material, paper products, stationery supplies, shop tools and equipment, library books, mechanical drawing equipment, printed forms, and physical education equipment possibly should be bid and scheduled once each year. The purchasing official should attempt to schedule bidding of items at the time of year when the most favorable market prices are available. The majority of school supply houses in Kentucky, as elsewhere, experience a very heavy volume of business between June and August of each year. Obviously, bids would receive a more favorable quotation if solicited at some time of the year other than the above period.

maintenance, operational and repair materials

Maintenance, repair and operational materials in a school district consist of items purchased for use outside the instructional program except where direct repairs are made on such educational equipment as record players, television receivers, projectors, and similar types of instructional equipment.

1. Maintenance Materials

These items are normally thought of as materials needed to keep the physical plant and grounds in good condition. Maintenance supplies include paint, lumber, hardware, electrical supplies, plumbing and heating supplies and similar materials. Demand is quite often seasonal for them, and bids should be secured on an annual requirement basis. A standard list of items can be maintained and bid accordingly. On the other hand, the school district may use such a wide range of items that it would be more advantageous to bid trade discounts on various categories of materials.

2. Repair Parts

These are components needed to repair machinery, tools, various types of equipment, and other capital items in the course of normal use. Sources

for repair parts are more limited than for the purchase of regular maintenance or operational supplies. Often the only dependable source is the manufacturer of the original equipment. These supplies differ from routine maintenance supplies in relation to where they are purchased, their pricing, degree of lead time necessary, and most of all, how important they are to the over-all operation. If a particular maintenance item is out of stock, this might represent only a minor inconvenience; however, a missing repair part could mean a costly delay, or seriously affect the educational program. For example, lack of a boiler feed pump could require closing of school.

3. Operational Items

These are generally classified as custodial supplies and include such commodities as cleaning compounds, soap detergents, floor finishes, wax strippers, etc. Operational items may also include fuel oil, gasoline, coal, lubricants, greases, grass cutting equipment, and electrical lamp requirements. Many of the items can be purchased on an annual contract basis and, if warehousing facilities are unavailable, deliveries made direct to the using point on a regularly scheduled basis.

STANDARDIZATION

Standardization covers the purchase of a specific make, model, or type of equipment or supply items. For example, one satisfactory model spirit duplicator may be selected as standard because of the interchange of parts or the ability of personnel to operate and maintain this equipment. Also, in the case of school or library equipment, it may be desirable to match existing furniture in design or color for aesthetic reasons. It may be advantageous for the school district to standardize on such maintenance items as cleaning tools, machinery, plumbing fixtures, electrical items, program clocks, and similar commodities for the sake of keeping low level inventories and providing equipment that can be operated and maintained efficiently by school district personnel.

In the operational area, standardization might be feasible for cleaning compounds, detergents and cleaning equipment. It would be costly for a school district to purchase ten or fifteen different cleaning compounds on a personal preference basis when one or two good cleaners could perform the same function. Likewise, buffing machines could be standardized for interchangeable parts, plates, and scrub brushes.

WHEN YOU SHOULD BID

All materials, services, equipment and supplies used in the operation and maintenance areas, as a general practice, should be bid. Careful planning and scheduling of bids throughout the entire school year will reduce the necessity of bypassing bid procedures and will make for a more efficient school program. The following materials and services are examples of items that should be considered in the bidding of maintenance and operation supplies, equipment, and services:

1. Supplies and equipment used by maintenance personnel in the repair of buildings, equipment, and automotive equipment where the school district has trucks, buses, automobiles, and tractors.

2. Service contracts such as pest control, typewriters, audio visual equipment, heating boiler inspections, fire extinguishers, public address systems, sewing machines, and similar educational equipment items.

3. Labor and materials for contract building alterations;

4. Renovations or major maintenance repairs to buildings and/or equipment.

5. Use or rental of equipment used in the maintenance of grounds or in the cleaning of buildings.

6. Service contracts on routine maintenance of electrical or mechanical systems to maintain the various equipment throughout the school buildings.

7. Laundry services and uniform rental.

8. Cleaning materials, floor finishers, toilet tissue, hand towels, bowl cleaners, cleaning tools, and general cleaning and operational supplies - all these items can be combined in an annual requirement list.

WRITING SPECIFICATIONS

The preparation of maintenance, operation and repair specifications requires consideration of a number of factors. Quality standards should be clearly defined in establishing specifications to ensure getting the right materials and services. If bid specifications are properly prepared, quality checks and standardization of items can be established with sufficient competition available through bidding. There are many reference sources available for use in the preparation of technical specifications.

1. Neighboring school systems - Many school systems have files on bids taken on a variety of items or services used.

2. Architects and engineers - Architects or engineers may be hired to draft specifications on such technical subjects as roof replacement and boiler replacement. The cost of architect or engineering fees can be offset through obtaining a more complete and adequate bid document for competitive bidding.

3. Standard specifications - There are many available sources of standard specifications, and those developed by the Federal Government are probably the most commonly used. Specifications and purchasing procedures may also be found in technical publications prepared by firms interested directly or indirectly in selling to schools. If they are utilized, the purchasing official should be completely aware of all legal and technical data included in specifications.

4. State Department of Education - The State Purchasing Department is involved in procuring a broad variety of

supplies and services. Technical information on these purchases may be obtained through the State Department of Education for such things as school buses, school facilities, coal, and automotive tires.

5. Reputable business firms - Well established business firms that have long range interests in selling services or materials to school systems are usually an excellent source for technical information in the preparation of bids.

6. Professional association - These organizations maintain a library of technical specifications which are available upon request. Three prominently known associations are:

   a. National Association of Purchasing Agents;
   b. National Institute of Governmental Purchasers; and
   c. Association of School Business Officials

In preparing specifications, consideration should be given to jobs involving similar materials and labor skills that may be combined under one bid. Care should be taken, however, in combining bids to make certain that bidders are not eliminated through the combination of items which can only be supplied from one source. Utilizing an "all or nothing" bid may not always produce the best results. Consulting with prospective bidders may help in determining how to best combine items for securing lowest prices.

EVALUATING BIDS

Each bid form submitted should be carefully checked for any special considerations or conditions stated by bidder. In situations where doubt may exist concerning a maintenance and operation product, it should be tested or evaluated by a qualified technician or firm. Careful analyses of samples or descriptive literature submitted with bid documents should be a part of consideration of bid award. For example, paint may be tested by painting sample boards, placing them outside for a given length of time, and then evaluating the condition of the painted surface.

DETERMINING CONTRACT COMPLIANCE

When bids are accepted and materials delivered to the board of education, they should be checked to determine if the supplier has fulfilled his obligation to the board of education. In the case of contracts involving labor, periodic inspections of job compliance should be made by the owner throughout the terms of the contract. Failure of a supplier or contractor to fulfill his obli-

gation with the board of education should be brought to the firm's attention without delay. One of the most important protections to the school board in dealing with contractors or suppliers of unproven reliability is by withholding payment until adequate assurance is received that all obligations have been fulfilled. Technical questions or legal implications concerning an awarded contract where disagreement exists between owner and supplier should be evaluated by unbiased personnel or firms technically qualified to render a documented opinion.

school food service

The best qualified person to assist in school food service purchasing is one who has knowledge in the field of institutional food preparation and service, as well as managerial skills in the functions of mass feeding. The procurement of food and related items requires special buying techniques normally not required of the buyer of general products; however, given proper information, the school district purchasing official may secure needed materials.

COMPETITIVE BIDDING

Regardless of size and dollar volume of expenditure, competitive bids can be obtained in the procurement of food items, equipment, cleaning materials, supplies, contractual services, and related items. Specifications, terms, and conditions should be prepared in detail with proposals sent to prospective bidders. Many of these items can be secured on annual contracts, resulting in better prices. Independent schools, or even two or more separate school districts, may wish to combine food service requirements and purchase cooperatively. The advantages of purchasing through competitive bidding are:

1. All vendors who wish to provide the school with any product are assured equal treatment
2. Lowered cost of food service items
3. The manager can anticipate food costs more accurately
4. Standardization of quality and prices

SOURCES OF SUPPLY

Several sources of supply should be secured for all categories of food items purchased. Generally, the choice of a supply source is among wholesalers, institutional suppliers, sales representatives, manufacturers of food products, truck jobbers, brokers and cooperatives. Choice of suppliers is widest for schools located near large urban areas. Some suppliers handle a complete line of food products, while others specialize in only a few.

The selection of sources of supply will, in most cases, be determined by school board policies, laws, and regulations of the state and locality. Vendors should be selected on the basis of their past performance and qualifications. Restrictions or qualifications may vary from one school system to another.

A supplier should not be requested to bid unless the school board is willing to issue a contract. The process of selecting sources of supply involves the following aspects:

1. Determine eligibility of vendors by their past performance record, a contractor performance bond, inspection of the vendor's plant, and references from satisfied customers.

2. Responsible vendors may be listed to ensure their inclusion on the bid mailing list.

3. Bidding record of the vendor. A list of responsive vendors may be maintained for easy reference. Information should include:

a. Name of Firm
b. Address
c. Telephone Number
d. Items Sold
e. Discounts or Terms
f. Data on Quality of Products
g. Bid Proposal Number and Date
h. Response on Bids
i. Dependability in Meeting Deliveries

Where little or no wholesale outlets exist in a school district community, competition may be obtained by requesting price discounts from local retail sources. Many staple items; such as canned food, paper products, cleaning items, equipment, and commodities; such as dairy products, bread, crackers, cookies, spices, and related items can be purchased competitively from vendors located in nearby cities or metropolitan areas.

WRITING SPECIFICATIONS

It is important that the best quality food service items be procured. Quality is best stated through the use of written specifications describing the material to be purchased. Generally, two types of specifications are used:

1. Specifications by trade or brand name;
2. Specifications by identification with known standards; such as U.S. grades and classifications established by the federal government.

A good specification should be:

1. As simple as is consistent with exactness, but so specific that bidders cannot evade any of the provisions and thereby take advantage of competitors or the buyer.

2. Identified with product or grade alreacy on the market.

3. Capable of being checked. The method of checking specifications should be specified; i.e. label, certificate of grade, use of acceptance, and service.

4. Reasonable in terms of fairness to the seller and protective to the buyer.

5. Capable of being met by several bidders for the sake of competition.

A specification can be brief or elaborate; however, vendors have little time to read lengthy documents. All food specifications should include the following:

1. Name of product
2. Federal grade, brand, or other quality designation
3. Size of container or unit on which prices will be quoted
4. The quantity required per container or per pound

In addition, other information which helps to describe the condition of the product to be delivered may be included. A specification communicates to the vendor the product to be purchased. Specifications should be reviewed with vendors where practical so that there is no misunderstanding about the product. Additional information that might be included is as follows:

1. Canned Goods - Type or style, pack, syrup, density, count size, specific gravity, geographical origin, and U. S. grade.

2. Meat Products - Age, exact cutting instructions, weight range, composition, condition upon receipt of product, fat content, cut of meat to be used, market class, and U. S. grade.

3. Fresh Fruits and Vegetables - Variety, fill of container, degree of ripeness or maturity, and geographical place of origin.

4. Frozen Foods - Temperature on receipt, variety, sugar ratio, and geographical origin.

5. Dairy Products - Butterfat content, milk solids, temperature on delivery, and bacteria content.

DEVELOPING BID INVITATIONS

Standardized forms to be used in bid purchasing should include:

I. Invitation to bid

A. Invitation number

Each school district should have a series of numbers to identify both the agency and the invitation number itself.

B. The School District Needs

The school district and/or buyer's needs should be listed on the invitation.

C. Time and Location

The date, time of day, and location of bids opened should be indicated.

D. Service

In the food business, it is almost impossible for a distributor to secure firm prices for longer than a 90-day period on perishable and many of the canned goods items. The service expected should be clearly stated.

E. Frequency of Deliveries

The number of deliveries required during a contract period will be a prime factor in calculating a vendor's total cost. Obviously, deliveries should be limited in order to secure the maximum savings for the school district.

F. Delivery Points

These should be definitely specified in the invitation. The number of delivery points will influence price the same as the frequency mentioned in paragraph E above.

G. Most Recent Pack

Food buyers should specify most recent pack whenever possible.

H. Brand Names

Where applicable, the invitation should require that the bidder specify the brand name of each item on which he is bidding. The invitation should state plainly that the vendor shall supply the brand as shown on the bid. In the event the vendor is unable to supply the stated brands, there should be a definite provision for approval of a substitute.

I. Quantities

A relative guarantee of quantities to be purchased by the buying agent should be listed on the invitation. Any figure using plus or minus 10 per cent is usually acceptable in the food service market.

J. Performance Requirements

An enforceable performance provision providing penalties and can-

cellation provisions should also be incorporated in the invitation.

K. Invoices

A statement should be made in the specifications concerning the method of submitting invoices, number of copies required, when and where they are to be sent and any special conditions required by the school district.

2. Product Listing

Some factors to be considered on the invitation to bid are as follows:

A. Item Numbers

Each item should be numbered. Items should be listed in alphabetical order or in category; such as, dressings or vegetables. A combination of the above is recommended. Careful numbering can result in considerable advantages through easy reference. Also, some items may be awarded on "all or none" basis.

B. Quantities

The quantity to be purchased should be plainly stated in number of cases, boxes, crates, etc.

C. Product Description

There are many formulas, varieties, grades, sizes, counts, and prime growing areas to be considered in securing the proper product for a particular need. Complete specifications for each product should be furnished either on the product listing or, more ideally, in a separate publication which would not have to be re-issued each time a new bid is requested. In the absence of complete specifications, as well as qualified personnel to check grades of products received, it may be wise to limit bids to brands that are known to the buyers or lunchroom managers. These would be known as "qualified brands." In order for an unknown or an unqualified brand to be placed on the bid list, it would be necessary that the supplier submit samples for comparative purposes. If approved as equal, then bids could be submitted on these products. Even with the specifications as mentioned herewith, there is certain basic information that should be shown with each product listed. The following may not apply for every product; however, these areas of measurement may be considered:

(1) Pack; such as gallons, pounds, case, and can size or bottle.

(2) Product Name: such as salad dressing, green beans, apple rings, asparagus, etc.

(3) Varieties: snap or blue lake green beans, cling or free-stone peaches.

(4) Origin: such as the northwest blue lake bean. California peaches, Tennessee beans, etc.

(5) Color; red or green spiced apple rings, red or green tomatoes, blue plums, etc.

(6) Grade or quality; such as fancy, choice, extra standard, or standard.

(7) Size; sieve, count, crushed or grated, #1, #2, or whole - such as in a peach or pear, sliced, or otherwise.

(8) Special requirements; such as specific gravity in the puree, the amount of solids in paste, the amount of liquids allowable in peaches, the type of syrup, specify the count in a certain classification or can.

(9) Quality checks; the methods of maintaining a grade standard. The school district may want to use U.S.D.A. certificates as a medium of standard. Can cutting, laboratory tests, or actual physical count.

3. Bid Form

The bid form should be constructed to permit the bidder to list unit prices, total price and other pertinent information such as brands, grades, and quality standards. The form should also provide such information as name and number of bid, name of school district, name of person receiving bids, and the name, address and signature of bidder. If possible the school board should send bid forms to prospective bidders in duplicate with copy retained by the bidder.

SPECIAL QUALITY CONTROL OR TESTING

Buying on price alone may secure a product which is not usable. A product low in price which the students will not accept can be extremely wasteful. The buyer or manager may wish to make comparative tests of the products submitted, so samples may be requested for this purpose. It is important to compare color, flavor, count, size, syrup, and fullness of pack of a product from several companies. In some instances, it is well to test by actual use method. For example, vanilla can best be judged for flavor by using it in a baked product.

insurance and bonds

PURPOSE SERVED BY BIDS

For a number of years, many school districts have purchased insurance needs from local agents or agent associations because they felt that insurance could not be bid competitively. Further, mutual insurance companies were considered too risky for the average school district to consider, even though some savings in premiums might be realized. Most authorities in school business administration now agree, however, that insurance is a commodity. Further, comparisons can be made, and objective evaluations can result in premium savings.

Insurance is governed, to a considerable degree, by certain laws which make competitive bidding and purchasing a unique process. The stock companies are generally the largest group of insurance carriers, and there may be little competition among these companies with relation to price. Factors such as service, local agents, general rating of management, and financial ability may be considered as providing minimal competition.

There are also some stock companies that subscribe to the Insurance Rating Bureau and allow a deviating or discount percentage. In bidding situations, these companies have a definite competitive advantage over other stock companies.

Another large group of companies to be considered in competitive bidding is the mutual insurance company which files a deviation factor or indicates a percentage dividend in the event operations are successful for the year or period of policy coverage. Generally speaking, many of the mutual companies can offer the school district a better premium cost on comparative insurance values.

Bids for school insurance should create good relationships with all insurance companies and agency representatives, since each company is given an opportunity to quote competitively on both price and services for the school district. Bidding insurance generally allows for a better price and permits purchasing on an unbiased basis from any company who can meet the specifications and conditions outlined in the bid.

Creating public confidence in handling insurance can be developed through open and competitive bidding. All agents and representatives can scrutinize bids to see that insurance is purchased from the lowest and best bid meeting the specification.

Likewise, when the various insurance companies realize the school district is bidding its insurance program, many of the insurance agents will offer sound advice which may provide the school district with additional services not normally received when purchasing on the open market without bids.

Another purpose served by bids is premium savings to a school district. This may be accomplished through purchase of insurance at less than standard rates. In the long run, it has a tendency to reduce rates, since special or experimental plans may be developed to meet competition. In some of the larger systems, self-rating plans have been used by insurance companies to rate the individual district buildings, and thus arrive at a considerably lower premium. Such items as the nature of construction, fire prevention programs, housekeeping and management, safety techniques and attitudes are evaluated to determine a lower rate structure for the school district.

WHEN YOU SHOULD BID

Statutory law requires bids for supplies and/or equipment in excess of $1,000 annually. Insurance, however, has generally been excluded from these regulations, although most districts have met with success in bidding various types of insurance and bonds. An annual premium of $100 would justify at least an informal bid. It would also appear that from a public relations standpoint, it would be desirable to bid whenever possible.

The establishment of the insurance policy period will, in most instances, govern the time when insurance and bonds should be bid. It is suggested that time period be in keeping with the fiscal year of the school district.

With the development of the package insurance policy, a single policy including many small coverage items; such as fleet, boiler, plate glass, etc. may be purchased and result in significant savings even for small school districts.

WHAT SHOULD YOU BID

In Kentucky, there are several types of insurance which are commonly bid by school districts. Some of these are as follows:

1. Fire and extended coverage insurance, vandalism and malicious mischief (Public or Institutional Property Plan)
2. Boiler insurance
3. Automobile liability and property damage insurance
4. Workman's compensation insurance
5. School bus insurance (see chapter on Transportation)
6. Textbook bond

7. Treasurer's bond

8. Public employee's honesty bond

9. Group medical or hospitalization insurance

WRITING OF SPECIFICATIONS

Care must be taken to specify exactly what is desired and what is needed by the individual school district. Generally, bid specifications provide for four parts, as follows:

1. A notice to bidders or a cover letter which would include the name of the bid, date, time, place, and circumstances

2. General specification information - list of information for the insurance company needed to prepare bids (obtained from present agent or by Inspection Bureau.) This could include such information as loss experience, number of personnel, schedule of values, types of coverage, time of coverage, and projected coverage.

3. Supplemental specification information - this is provided by the company to the school district. It should contain local representative, claim office, financial and management rating of the company, dividends paid, and the period of payment.

4. The bid form - this is the actual bid by the company in dollars and cents on the school board's form as per terms and conditions of the general specifications set forth in the invitation to bid.

In the preparation of specifications, an attempt should be made to eliminate duplicate coverage in existing policies.

INTERPRETING BIDS

This facet of competitive bidding requires careful judgment and analysis. If a specific plan of insurance is stated in the "invitation to bid" and the low bid received is on the plan indicated, then the award can be made easily. On the other hand, if the low bid is on an alternate of a general specification basis, then detailed analysis and comparisons may be required. The nearest Insurance Rating Bureau may be utilized to check rates other than those used in the school district's specifications. Best's Insurance Guide may also be consulted for general policyholders' ratings

and financial ratings to indicate size and stability of the bidding companies.

When evaluating the dividends offered by mutual insurance companies, it is suggested that the record of percentage dividends paid over the past ten years be considered as being a fair indication of future dividend policies. It should be recognized that dividends cannot be guaranteed; however, they may be considered if a consistent record of payment has been made.

In some instances, the insurance may be awarded to more than one company. For example, the total school buildings to be insured might be subdivided into two groups, brick veneer and frame structures, and brick or concrete fire resistant buildings. It is possible that two companies would have a combined bid which would be more attractive than one company bidding on the entire coverage. The size of the school district would dictate which would be most advantageous. Split purchasing may result in some disadvantages in the insurance area since there might be difficulty in collecting losses unless prior agreement was reached between the two companies being offered the award.

DUPLICATE COVERAGES

The school district should check carefully to make sure in bidding insurance that duplicate coverage is not being secured which requires unnecessary premium payments. Particular duplicate coverages to check are bodily injury and property damage coverages in the following policies:

1. Boiler insurance policies;

2. Comprehensive automobile liability insurance policies.

warehousing and storage distribution

It is a generally accepted fact that the size of a school system in terms of enrollment and number of school buildings to be served predetermines the effectiveness and justification of a central storage facility. Also, the scope of the activity, once established, depends upon two primary factors:

1. The annual consumption of supplies.
2. The degree of materials standardization which has taken place in the school district.

How much to order and store will be determined by available storage space. Whether to establish a central store room or warehouse, depends on many factors. Among these are the size of the system, number of buildings served, convenience, proximity to markets, and annual consumption of supplies. It is sometimes an accepted guide that if a school system has ten or more buildings to serve, a central storehouse may prove econom-

REQUIREMENTS FOR CENTRALIZED WAREHOUSING

The following requirements are presented as an operational guide to the school district and administrator who is responsible for planning and management of the warehousing function:

1. Location

   a. A central location is preferred near the administrative office, if possible, and located in connection with, or in close proximity to, the school district garage and maintenance shops.

   b. Avoid locating the warehouse in an area of the city that is not afforded prompt and adequate fire and police protection.

In order to obtain the greatest benefits from the use of central storage in terms of dollar savings and service to schools, the warehouse should be operated on an active day-to-day basis. Delivery schedules should be flexible enough to permit each school or department to receive stock issues frequently.

2. Size of Warehouse

   Adequate storage space depends upon the scope of the warehousing function and is measured by the following:

   a. Frequency of deliveries to schools and departments

   b. Types of commodities and equipment to be stored

   c. Number of schools to be served and consumption of supplies between purchasing periods

   d. Estimated enrollment growth, new building plans and future expansion

   e. Material handling equipment to be used

   f. Size and scope of food service activities if these are to be considered

   g. The degree of building maintenance performed by the school district

MANAGEMENT OF STORAGE AND WAREHOUSE FACILITIES

Some basic management concepts of material storage, warehousing,

and distribution are listed in the following paragraphs.

1. Certain basic requirements of good warehousing management are the foundations on which the success of central storage systems rest. A listing of these requirements considered to be significant are as follows:

   a. A maximum utilization of space consistent with adequate care and protection of supplies

   b. Accurate and positive identification of items

   c. The effective conservation of time, labor, and equipment

   d. Convenient and prompt movement of supplies and storage areas to loading points

2. Once delivered materials are received in the warehouse and accounted for, they must be stored in the areas or special facilities that are free from deterioration or destructive forces.

3. Handling time and labor should be conserved by locating stock having a high rate of turnover near the receiving and shipping areas.

4. The orderly and uniform arrangement of stock is essential for rapid stock selection and inventory purposes. Packages or containers should be arranged so that nomenclature or identifying features may be easily identified.

5. Since many supply items have a relatively limited storage life, a system of rotation, such as first-in, first-out, will help to reduce losses from the deterioration or infestation.

6. Many supply items will be received in uniform sizes, packages, and containers marked for identification by the vendor. These items may be depalletized in uniform load quantities by commodity groups to achieve the maximum utilization of vertical and horizontal spacing.

7. Sensitive items, which by their personal use value encourage pilferage, should be segregated from shelving in open stock, and special protection should be provided. Pilferage can be minimized in the following ways:

   a. The proper selection and assignment of responsible personnel

b. Special facilities for storing such items as postage stamps, cards, hand tools, food commodities, office supplies, etc.

c. When containers are broken open in bulk storage areas, the contents should be repacked and placed in the shelving or bin storage area. Loose items in open containers should not be stored in bulk storage areas.

8. Large heavy or hard to handle items should be stored in open bays to facilitate pickup and movement by mechanical equipment.

9. Carbon paper, stencils, and similar items readily affected by sunlight, dampness, or excessive heat should be located in well ventilated areas where the condition of the stock can be checked frequently.

10. The storage of paints, duplicating fluids, waxes, floor finishes, and related products require frequent inspection for deterioration, special handling, and storage facilities. Most paint and finishing materials deteriorate with age and require turning of containers to prevent caking.

11. Hazardous commodities should be accepted for storage in the school warehouse only after providing reasonable protection in handling methods commensurate with the risk involved. Such factors as warehouse construction, climate temperature control, and fire safety equipment will affect the handling and storage of these items.

12. The storage management of food commodities requires a knowledge of the commodity characteristic of each type of food handled in relation to storage life expectancy.

    These commodities should be checked periodically by the manager of the warehouse.

THE RECEIVING PROCEDURE

The prompt and accurate processing of materials and equipment received at the warehouse is a basic responsibility of supply management. The efficient maintenance of shipping records and the advance planning for the handling of delivery arrivals will maintain balanced operations with minimum interference with order-filling activities. Well defined systems should be established as guides for warehouse personnel regarding the receiving of goods, the checking and the

handling methods involved.

1. Advance planning and review of outstanding purchase orders are significant requirements of the receiving activity. The purchase orders and contract schedules should be screened by the warehouse supervisor.

2. Accurate checking of incoming deliveries is a prime requirement for efficient storage and inventory control activities. All shipments received should be physically checked against freight bills, purchase orders, way bills, and acknowledgement of receipts promptly made.

3. All discrepancies such as shortages, overages, and damages should be noted by the warehouse clerk prior to the signing of the freight bill.

4. The quantity actually received should be recorded on the warehouse copy of the purchase order or receiving form immediately after supplies are unloaded.

5. Preparing stock for placement on shelves or in designated open storage areas should, where possible, be integrated into the unloading operation to eliminate additional handling.

USE OF MATERIAL HANDLING EQUIPMENT

A prime factor affecting the success of centralized storage operations is the efficient movement and handling of supplies in the receiving and storage distribution function. Material handling operations, to be efficient, must balance personnel required with the equipment to be used. The potential savings resulting from the proper selection of material handling equipment cannot be overemphasized.

The primary purpose of material handling equipment is to serve labor and speed up operations of moving supplies and equipment. Before proper selection and application can be made, a thorough analysis should be conducted by the warehousing administrator to determine the nature of the handling operations required.

INVENTORY CONTROL PROCEDURES

An important first decision to be made in organizing the inventory system involves the selection and type of control records to be maintained. The two most commonly used systems are:

1. Perpetual inventory
2. Periodic inventory

The perpetual inventory system records an up-to-date continuous tabulation of materials on hand. It also reflects the current status of receipts and stock issues on coded inventory control cards.

The periodic inventory reflects an accurate tabulation of stock only after an actual physical count. It is used primarily in connection with annual requisitionings and once-a-year large volume orders. Likewise, the perpetual inventory system provides a more complete stock management device and is particularly well suited to the control required in the operation of an active central storage warehouse.

FILING SYSTEM

Many different types of filing systems can be developed to speed up the process of locating the stock record cards for a particular item. Where manual posting or machine posting is used other than punch card or tabulating equipment, one or more of the following types of equipment is necessary: either a vertical file unit, which is a box drawer or index card file system, or a visible index record unit, such as tray files, wheel files, and tub files.

The perpetual inventory record provides a ready means of determining the quantity on hand of any particular item. It enables stock to be replenished before the warehouse supply is exhausted. The stock record card on each commodity should carry up-to-date posting of the minimum and maximum quantities to be stocked at all times.

PHYSICAL INVENTORY REQUIREMENTS

Although the stock record system may be comprehensive and accurately controlled, it must be verified against the actual quantity of material on hand. A periodic verification must be made of actual stock on hand using stored value as compared with the book record of quantities and values. This periodic audit is regarded as a physical inventory. When the actual physical count is completed and the total value computed, it must be accepted as correct; and the book value must be adjusted accordingly.

THE WAREHOUSE CATALOG

The types and forms of warehouse catalogs used as guides in school systems for requisitioning from stock are many and varied. They may be volume issues in booklet form, separate issues by instructional levels or departments, or listing by function and item classification. Regardless of the form in which it is prepared, the stock catalog should conform to a pattern that provides for

simple, accurate, and time-saving requisitioning. A system of stock classification should be developed early in the process of establishing a perpetual inventory record. It has become common practice to identify warehouse stock by material classification in the form of a stock number. Symbols can be used in identifying commodities and for uniformity of storage on related items.

The three most common methods of constructing symbol codes are as follows:

1. By numerical codes - designation by a combination of numbers
2. The alphabetical symbols - designated by a combination of letters
3. A combination of numbers and letters

The numerical system of developing stock numbers is the most commonly used, probably because it is the simplest and yet has great flexibility. A basic system of numerical stock numbers is the block code - grouping of numbers is significant to commodity groups, such as 1 - 299 for oils, 300 - 499 for paints, etc. The preparation of the warehouse stock catalog is not a complicated task once the items assigned to the stock numbers have been grouped into common commodity classifications. A master numerical catalog should be developed in which all items are listed by description, size, color, and other identifying information.

Once stock numbers have been assigned to items in the master numerical catalog, a separate 4 x 6 catalog card should be prepared containing the information to be included in the alphabetical warehouse catalog. The catalog card should show the stock number, description of the item, the unit of issue, and, in some cases, the unit cost.

The organization of the materials in the catalog should facilitate periodic additions and deletions of items and should allow the user to insert amended sheets when and where necessary. The file of catalog cards should be maintained by the stock records section and cross-indexed by stock numbers to the file stock record card.

THE DISTRIBUTION OF SUPPLIES AND EQUIPMENT

Warehouse personnel, when filling orders, should be sure that items are properly packaged and identified. Care should be taken so as to prevent crushing, breaking, spoilage, or deterioration while being delivered to the various schools. The warehouse should maintain adequate supplies for packaging and shipping various commodities. The

use of pressure sensitive tapes, packing and shipping tables, adequate tapes, fiberglass, excelsior, and other materials should be supplied.

Every effort should be made to make school deliveries in truck load lots. Consideration should also be given to the proper layout of the shipping area adjacent to the loading dock. Sensitive or security items should remain in the segregated storage areas or vaults until such times as they can be checked or receipted and loaded directly into the delivery vehicle.

Many school systems may find it profitable to deliver some materials directly to the individual schools without using preliminary warehousing. Such items as textbooks, maps, phonograph records, lumber, coal, steel, and many science supplies are frequently handled in this manner. Some systems use a combination of these two, depending on the type of material involved.

school bus transportation

In the larger school districts, the Director of School Bus Transportation, working closely with the purchasing official, can save the school district many dollars with careful and prudent transportation purchases. Likewise, in the smaller school districts where the Superintendent or Assistant Superintendent handles the transportation function, a similar correlation in direct savings can be realized with the application of sound purchasing practices. Many of the items used by the transportation department can be competitively bid with considerable savings being realized.

SCHOOL BUS PURCHASES

Since Kentucky school buses for all districts are purchased by competitive bids received at the State Department of Purchases, local school districts are able to benefit from lower prices. This has been brought about through efforts of the State Department of Education and the State Division of Purchases. Not only does this arrangement provide buses at the most economical price, it also saves the school districts from the task of writing detailed specifications. It is mandatory that school districts purchase their school bus requirements from the state contract unless the local school district can obtain a lower price on comparable equipment.

PROCEDURE FOR OBTAINING BUSES

1. The local superintendent should make inquiry direct to the State Department of Education concerning price schedules on the various types and school bus capacities needed.

2. The Intent to Purchase form is filed with the State Department of Education (Form No. SBT-1). This form is completed in duplicate and furnishes information pertaining to size, type, and capacity of bus desired and is signed by the chairman of the board and superintendent of the school district. The original is forwarded to the State Department of Education and a copy retained by the local district.

3. An order blank is prepared by the State Department of Education, with four copies being returned to the local district for signature by the superintendent. A separate order is prepared for the chassis requirements and the body requirements. After signature by the local superintendent, three copies are returned to the State Department of Education.

4. The State Department of Education will then combine the requirements for all school districts, and orders will be sent to the successful bidders as determined by competitive bids.

AUTOMOTIVE SPECIFICATIONS

Detailed specifications are readily available on trucks and automotive equipment for all automobile dealers. Technical specifications can be prepared from this material and competitive bids received.

A. Trucks

In addition to specific requirements pertaining to the type of truck

desired, a typical specification may include the following detailed information:

1. G. V. W. rating (gross vehicle weight).

2. Type and size unit desired; panel truck, stake body, or walk-in van.

3. Transmission - indicate automatic or manual shift.

4. Heavy duty, 60 amps. alternator and 70 amps. battery.

5. Spare wheel and tire.

6. Painting, trim, and lettering.

7. Accessory equipment desired; such as, side view mirrors, flaps, type seats, ICC lights, vent windows, or heater.

8. Tax exemption; school districts are exempt from sales and use tax and federal excise taxes. Such items as tires, batteries, electrical components, radio equipment, and accessory equipment are also exempt from taxes.

B. Automobiles

Many school districts in the state of Kentucky have requirements for the purchase and use of automobiles for school officials in the discharge of their day-to-day school activities. On the other hand, in smaller school systems the board may elect to pay a mileage allowance for the use of automobiles for official school business. The maximum allowance for travel reimbursement is eight cents per mile.

When automobiles are purchased or leased by school districts, they should be obtained through competitive bids. The automobile agencies in the local area may be contacted for assistance in securing technical data for preparing invitation to bid. Likewise, information is available at the State Division of Purchases.

It is important in writing a set of specifications that the district indicate that the equipment is available from several manufacturers. It is very easy to develop specifications around a particular model, only to find no other bidder can conform to the specification. Some check points the buyer should consider are listed below and on the following page.

1. Type and style body design
2. Horsepower and number of cylinders

3. Type transmission desired
4. Specify type steering and brakes desired
5. Size type and number of tires
6. Battery, generator, and electrical requirements
7. Accessory equipment desired
8. Tax exemption
9. Delivery time and point of acceptance
10. Indicate where items are to be traded in.

PURCHASE OF PARTS AND SERVICES

A. Ignition Parts

Such items as spark plugs, points, condensers, electrical items, and related components can be competitively bid. This method of procurement is difficult to administer unless a garage inventory is maintained and provided a garage superintendent or head mechanic is skilled in purchasing parts and services under this method. Perhaps the most feasible method of procurement of these items is to solicit trade discounts from authorized automobile agencies and parts houses in the local area. These discounts can be based on annual anticipated requirements. Examples would be batteries, air filters, repair parts, and similar items.

B. Services

Similar arrangements for automotive services should be made for these requirements as is named in preceding paragraphs. Where contractual services are required outside the scope of the school board mechanic, competitive bids can be received on:

1. A time and material basis
2. A fixed hourly rate plus parts
3. A flat rate basis

This could cover such services as wheel alignment, paint and body repairs, glass replacement, wrecker service, valve grinding, and engine overhaul.

C. Tires and Tire Services

Because of the general use nature and uniformity of tire requirements, it is to the advantage of the school district to receive competitive bids on tires and tire services. Specifications for school board use should specify tires that are at least comparable to that furnished as original equipment or grade No. 1, as per grade classifications published each year in Elgers Tire Guide. Many metropolitan school districts can, and should, join in cooperative purchases of tires with city and county governmental agencies. Likewise, the

State Division of Purchases has a large professional staff that has developed many technical specifications on automobile items. The state has contracts on many of these items with suppliers throughout the Commonwealth and they may also be used.

D. Gasoline and Oil

Savings can be realized by the school board where competitive sealed bids are received on these automotive operational supplies. Just as tires can be purchased through cooperative bids with other local or state agencies, bids may also be received between two or more school districts. By combining similar items and requirements, school districts can receive more favorable prices. Each district, however, should be responsible for separate ordering, delivery, and payment of invoices under this method of purchasing. There are definite price advantages where commodities can be purchased in bulk or large quantities. Many times, gasoline and oil prices can be reduced substantially by purchasing in bulk quantities. For example, gasoline delivered in 4000 gallon tank trucks is considerably more economical than the same product delivered in smaller containers. The price per gallon of lubricating oil is also much less in a 55 gallon drum than in quart containers.

TYPES OF SCHOOL BUS INSURANCE

The school district must be concerned with the purchase of adequate insurance protection at the most economical price. Although the topic of insurance has been covered in a previous chapter, types and recommended minimum coverages of school bus insurance as promulgated by the State Department of Education are indicated below:

A. Bodily Injury Liability

This insurance protects the school board, administrative staff, and bus driver from liability law suits in case of injury to riders on the bus. The coverage also protects against suits arising from injuries occurring outside the bus in which the driver is at fault.

Recommended Minimum - $100,000 per person
$500,000 per accident

B. Property Damage Liability

This insurance protects the school board, administrative staff, and bus driver from liability law suits in case of damage to property of others arising as a result of accidents caused by negligence of those named above.

Recommended Minimum - $20,000 per accident

C. Medical Pay

Riders injured in an accident can receive immediate financial aid to pay medical expenses up to the amount established in the policy. Medical pay protection also covers minor accidents occurring on the bus even though the driver is not negligent.

Recommended Minimum - $1,000 per person with no limit per accident

D. Comprehensive

This coverage protects the school district on very broad coverage of smaller items of loss. Examples of these losses would include glass breakage, fire, wind damage, storm damage, and, in some cases, vandalism. Cost values on the purchase of comprehensive coverage insurance is determined by the value and age of the bus.

E. Collision

This coverage protects the board of education from loss due to damage to their buses when involved in an accident. This type coverage is expensive and should be considered last when school boards are purchasing insurance. Many boards do not carry collision insurance.

CHECK LIST FOR BUYING SCHOOL BUS INSURANCE

A. Insurance companies offer fleet prices where several units are involved; likewise, competitive bids assure the school district of the lowest cost on comparable coverages. Consideration should be given to possible dividends offered by mutual insurance companies.

B. It is recommended that a non-ownership policy be considered. This coverage protects the school board, the administrative staff and bus driver from liability in case private automobiles are used for pupil transportation and field trips.

C. The school district should ascertain that insurance covers all newly acquired or temporary buses throughout the year. Credit should be received for any buses sold or otherwise disposed of during the term of insurance coverage.

D. Specifications should contain the year of purchase for each bus, capacity, make, model, chassis and body name, purchase price or value of each bus, and amounts and types of coverage desired.

glossary

Purchasing	The act and functional responsibility for procuring supplies, equipment, or services of the right quality, in the right quantity, at the right time, at the right price, and from the right source.
Purchasing Official	Any person who is officially designated by the Board of Education to contract for necessary supplies, equipment, and services.
School Business Official	The administrative officer of a school district responsible to the superintendent for planning, organizing, and directing the operation and administration of a function of the business department.
Vendor	A supplier of commodities, equipment, and/or services.
Contract	The agreement entered into by the Board of Education after an award has been made to the lowest responsible bidder meeting specifications.
School Board	The legal governing body of the school district.
Responsible Bidder	One who has skill, judgment, and integrity necessary to the faithful performance, as well as sufficient financial resources and ability, to discharge the obligation that may be expected or demanded under the terms of a contract.
Lowest Responsible Bidder	That responsible bidder offering to furnish the items of supply or equipment indicated or to perform the services required in a given specification at the lowest price.
Requisition	A request preferably submitted on a written form from a school or department for one or more items of equipment, supplies, or services.
Specification	A detailed description of supplies or services setting forth in a clear and concise manner the characteristics of the items to be purchased.

Bid Proposal	A formal notice by the bidder to the buyer containing the conditions and price under which he will furnish the items set forth in the specifications. This is customarily submitted on a form furnished by the school district.
Quotation	An informal notice by the vendor to the buyer of the conditions and price under which the items will be sold.
Invitation to Bid	A public announcement of the intent to purchase certain commodities under specified conditions and an invitation to potential vendors to submit a bid proposal.
Purchase Order	A formal notice to the vendor that he has been selected to furnish the items or services at the terms, prices, and conditions described thereon. A form of contract.
Invoice	A statement from the vendor to the buyer listing the amount due and the terms of payment for commodities purchased.
Coding	The act of assigning numbers to a commodity of expense so that the expenditure can be charged to the function and account in the school budget.
Standard List	A list of commonly used commodities established as a standard for all using departments or grades. Such a list tends to reduce the number and types of items to be purchased, permitting greater efficiency.